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State of North Carolina
Utilities Commission

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Post Office Box 29510
Raleigh, N. C. 27626-0510

COMMISSIONERS
JO ANNE SANFORD, Chair
ALLYSON K. DUNCAN
RALPH A. HUNT

December 4, 1997

COMMISSIONERS
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WILLIAM R. PITTMAN
J. RICHARD CONDER
ROBERT V. OWENS, JR.

Universal Service Administrative Company
100 South Jefferson Road
Whippany, N.J. 07981

Dear Sirs:

The purpose of this letter is to inform the Universal Service Administrative Company that the North Carolina Utilities Commission has adopted a compliant intrastate schools and libraries discount matrix. On June 17, 1997 the North Carolina Utilities Commission issued an Order in Docket No. P-100, Sub 133a adopting on an interim basis the discount matrix for schools and libraries contained in Paragraph 520 of the Federal Communications Commission's (FCC) May 8, 1997 Universal Service Order [FCC Order No. 97-157]. The Commission's Order stated that interested parties could file objections to the Order by no later than July 1, 1997, and if no substantial objections were received, that the Commission would issue an Order confirming its June 17, 1997 Order and rendering its decision permanent. Having received no disagreement to the Order, on July 5, 1997, the North Carolina Utilities Commission confirmed its June 17, 1997 Order and adopted the intrastate schools and libraries discount matrix as permanent.

Enclosed please find a copy of the North Carolina Utilities Commission's June 17, 1997 Order in this regard which includes on page 2 the intrastate schools and libraries discount matrix that the North Carolina Utilities Commission adopted as permanent on July 5, 1997 which is compliant with the discounts outlined in the FCC's Universal Service Order, Paragraph 520.

Sincerely,

Jo Anne Sanford, Chair
North Carolina Utilities Commission

Enclosure

JAS/bcs

cc: Sheryl Todd
Office of the Secretary

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. P-100, SUB 133a

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Establishment of Intrastate Schools' and
Libraries' Discounts Pursuant to Section
254(h) of the Telecommunications Act)
of 1996)

ORDER ESTABLISHING
INTRASTATE DISCOUNTS FOR
SCHOOLS AND LIBRARIES

BY THE COMMISSION: The Telecommunications Act of 1996 (TA96) requires states to establish intrastate discounts on designated services provided to eligible schools and libraries. Specifically, Section 254(h)(1)(B) of TA96 provides in relevant part:

(B) EDUCATIONAL PROVIDERS AND LIBRARIES.--All telecommunications carriers serving a geographic area shall, upon bona fide request for any of its services that are within the definition of universal service under subsection (c)(3), provide such services to elementary schools, secondary schools, and libraries for educational purposes at rates less than the amounts charged for similar services to other parties. The discount shall be an amount that the Commission, with respect to interstate services, and the states, with respect to intrastate services, determine is appropriate and necessary to ensure affordable access to and use of such services by such entities.

On May 8, 1997, the Federal Communications Commission (FCC) issued its Report and Order, FCC Order No. 97-157 (Universal Service Order or USO) implementing key portions of Section 254 of TA96, which addresses universal service. The USO provides for funding of both interstate and intrastate services for schools and libraries. Eligibility for the discounts is based upon adoption by the states of the federal discount levels for intrastate services. While the FCC adopted rules permitting schools and libraries to begin receiving the discounts on January 1, 1998, they may begin applying for funding earlier. The FCC has capped spending for these discounts at \$2.25 billion annually. Accordingly, it is important that the Commission expeditiously approve intrastate discounts so that North Carolina schools and libraries will not be relatively disadvantaged as they apply for funding.

The interstate discounts range from 20 percent to 90 percent for all telecommunications services, Internet access, and internal connections, subject to the \$2.25 billion cap. The range of discounts is correlated to students' eligibility for the national school free- and reduced-lunch programs. Urban or rural location is based on

metropolitan statistical areas. The FCC has adopted the following discount matrix:

SCHOOLS AND LIBRARIES DISCOUNT MATRIX

<u>HOW DISADVANTAGED?</u>		<u>DISCOUNT LEVEL</u>	
% of students eligible for national school lunch program	Estimated % of US schools in category	Urban discount (%)	Rural discount (%)
< 1	3	20	25
1 - 19	31	40	50
20-34	19	50	60
35-49	15	60	70
50-74	16	80	80
75-100	16	90	90

The discounts are applied to a pre-discount price, which price must be no higher than the lowest price the carrier charges to similarly situated non-residential customers for similar services. The USO does not require that carriers file new tariffs for schools and libraries, but, rather, requires that the discounts be applied to existing tariff rates where appropriate.

WHEREUPON, the Commission reaches the following

CONCLUSIONS

After careful consideration, the Commission concludes that the discount matrix contained in the USO and set out above should be adopted on an interim basis for the purposes of permitting eligible North Carolina schools and libraries to receive federal funding for intrastate services. This action does not preclude consideration of expansion of this program on an intrastate basis at a future point in time. The Commission does not believe that the provision of intrastate discounts to schools and libraries pursuant to TA96 is in any way violative of G.S. 62-140 prohibiting unreasonable discrimination as to rates and services.

Adoption of the discount matrix on an interim basis will both maximize the amount of time that schools and libraries will have to prepare their applications and allow any interested party to file objections to the Commission's decision herein on an expedited basis. However, unless substantial objections are received, the Commission will thereupon issue an Order confirming this Order and making this decision permanent.

IT IS, THEREFORE, ORDERED as follows:

1. That the discount matrix contained in Paragraph 520 of the USO shall be adopted on an interim basis for the purposes of permitting eligible North Carolina schools and libraries to receive federal funding for intrastate services.

2. That interested parties may file objections to this Order by no later than Tuesday, July 1, 1997. If no substantial objections are received, the Commission will issue an Order confirming this Order and rendering its decision permanent.

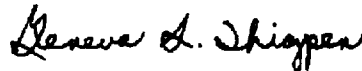
3. That all parties to Docket No. P-100, Sub 133, be made parties to this docket.

4. That the Chief Clerk shall send a copy of this Order to the Superintendent of the North Carolina Department of Public Instruction, the Executive Director of the State Board of Education, the Secretary of the Department of Cultural Resources, and the Advisor to the Governor for Policy, Budget, and Technology.

ISSUED BY ORDER OF THE COMMISSION.

This the 17th day of June, 1997.

NORTH CAROLINA UTILITIES COMMISSION



Geneva S. Thigpen, Chief Clerk

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. P-100, SUB 133a

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Establishment of Intrastate Schools' and)
Libraries' Discounts Pursuant to Section) ORDER CONFIRMING DISCOUNTS
254(h) of the Telecommunications Act)
of 1996)

BY THE COMMISSION: On June 17, 1997, the Commission issued an Order Establishing Intrastate Discounts for Schools and Libraries on an interim basis. Ordering Paragraph No. 2 of that Order provided that "interested parties may file objections to this Order by no later than Tuesday, July 1, 1997." The Order further provided that "[i]f no substantial objections are received, the Commission will issue an Order confirming this Order and rendering its decision permanent."

The Commission has received no objections to its June 17, 1997, Order in this docket. The Chair therefore concludes that the June 17, 1997, Order should be confirmed and its decision rendered permanent.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 15th day of July, 1997.

NORTH CAROLINA UTILITIES COMMISSION

Geneva S. Thigpen

Geneva S. Thigpen, Chief Clerk